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UNCLAS SECTION 01 OF 02 TAIPEI 004927

SIPDIS

STATE FOR EAP/RSP/TC AND EB/TPP/IPE

E.O. 12958: N/A

TAGS: [KIPR](#) [ETRD](#) [TBIO](#) [SOCI](#) [TW](#) [ESTH](#) [IPR](#)

SUBJECT: TAIWAN POLICE NAB COUNTERFEIT PHARMACEUTICALS

REF: TAIPEI 2143

1. Summary: Taiwan law enforcement has had two significant counterfeit pharmaceutical cases leading to arrests and seizures in December. In the first case, Taiwan's IPR Police busted a ring selling counterfeit drugs on the internet, arresting two and seizing 5000 pills of counterfeit medicines smuggled from China. On December 7, police raided a warehouse in a Taipei suburb, arresting two suspects and seizing over 500,000 pills of counterfeit medicines that were also smuggled from China. This was the largest seizure of counterfeit pharmaceuticals in Taiwan this year, and police officials consider it a major blow to sales of counterfeit medications in northern Taiwan. End Summary.

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IPR Police Nab Internet Drug Sellers  
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2. Taiwan police investigations of counterfeit pharmaceutical rings have resulted in two significant raids and the arrest of four suspects in December. On December 2, Taiwan's IPR police, the Criminal Investigation Bureau and Taipei prosecutors led a raid on two locations in central Taiwan, arrested two suspects, and confiscated 5000 pills of counterfeit medicines including weight-loss drug Reductil, erectile dysfunction drugs Viagra and Cialis, and about 1600 unidentifiable pills. The suspects had paid couriers to smuggle the pills from China and then used the internet to sell to unsuspecting Taiwan customers at a price significantly below the market price.

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Biggest Drug Bust in Taiwan Nets Flu Medicine  
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3. On December 7, police from four separate units raided a warehouse in the Taipei suburb of Xizhi, making two arrests and seizing 550,000 pills of counterfeit medicines including Viagra, Cialis, Reductil, Stillnox, Zantac, over 120,000 doses of counterfeit flu medication and another 210,000 pills of undetermined medicines. In addition to the counterfeit medications, police also found large quantities of packaging materials, instruction pamphlets, and labels. Police estimated the street value of the counterfeit drugs was over NT\$300 million (US\$9 million). The quality of the counterfeits was extremely high. Product colors and markings were identical to the real product and the packaging contained security features identical to genuine product. According to the Taipei Prosecutor's office, even company representatives were unable to determine visually that these products were counterfeit.

4. According to the police investigation report, the suspects purchased the counterfeit medicines from suppliers in China and then smuggled the counterfeit products into Taiwan through air cargo, sea-freight containers, and the postal system. Once in Taiwan, the counterfeit drugs would be packaged and resold to pharmacies, medicine shops and night-market sellers all over Taiwan. The suspects used Taiwan's express-delivery companies to make deliveries. According to a statement from one of the suspects, they had already begun importing chemicals and were planning to begin producing some counterfeit drugs in Taiwan. Police believe that this raid has successfully shut down the biggest counterfeit pharmaceutical importing operation in Northern Taiwan.

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Comment: Welcome and Unwelcome Signs  
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5. These two raids are welcome signs of the seriousness of Taiwan's law enforcement agencies determination to crack down on piracy. The IPR police have been involved in a series of raids over the past year on criminals using the internet to sell counterfeit drugs, clothes, watches, and optical media -- mainly smuggled into Taiwan from China. Other police units and prosecutors have been actively investigating counterfeit pharmaceutical sales occurring through pharmacies, drug shops, and night markets leading to several arrests. Like many of Taiwan's other manufacturing industries, the making of counterfeit products seems to have been outsourced across the Strait. The lack of a mechanism

for cross-Strait law enforcement cooperation makes this kind of outsourcing even more attractive for counterfeiters.

16. However, the size of the seizure is an unwelcome sign of the scope of the counterfeit pharmaceutical problem in Taiwan. Arrests of petty criminals selling small amounts of fake goods have increased but arrests of larger-scale counterfeiters is still rare, making the successful Xizhi raid even more significant. Penalties for dealing in counterfeit pharmaceuticals were increased in 2004 but judicial backlogs and lack of expertise lead to lengthy prosecutions and non-deterrent sentences. One newspaper reported that the main suspect in the Xizhi case had been arrested previously for selling counterfeit medicines but was out on bail awaiting trial.

17. The seizure for the first time in Taiwan of large amounts of counterfeit flu medication is clearly linked to public concerns about insufficient stock of Tamiflu to treat Avian Influenza. Apparently, the counterfeiters know their market.  
End Comment.

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